

DELEGATION OF FINANCIAL POWERS

M. J. K. Thavaraj & K. L. Handa

WITH the progressive involvement of the Government in developmental activities and the increasing specialization of its functions, the nature of decisions taken has undergone a basic change and, at the same time, the points at which their implementation rests have become numerous. Such an unprecedented expansion in the scope and content of governmental activities within the framework of a highly centralized administrative structure has often led to inordinate delays and inefficiency in the implementation of the developmental programmes. Consequently, several attempts have been made since Independence to bring about a close correspondence between authority and responsibility at the various levels of administration. Of the whole gamut of delegations, those pertaining to financial powers are of crucial importance as their nature and extent would have intimate bearing on most of the administrative actions.

The need for delegation of financial powers was recognized years ago in the reports of Sir James Grigg (1934-39) and Sir Richard Tottenham (November 1945). The problem assumed added significance after Independence. It attracted increasing attention in the different administrative reforms enquiries commissioned by the Government, e.g., reports of N. Gopalaswami Ayyangar (1949), A.D. Gorwala (1951), Paul H. Appleby (1953), etc. The Estimates Committee in its Ninth Report (1953-54) stressed the need for delegation of financial powers to meet the requirements of the changed circumstances. As a result of the growing awareness of the problem both within and outside the government, greater financial powers were delegated in 1953 in respect of creation of posts and contingent expenditure. These powers were further enhanced in 1954 and again in 1955. A real break-through, however, came in 1958 when the Government of India sought to delegate enhanced financial powers based on the recommendations of Shri A. K. Chanda.¹ Another scheme of

¹ Shri A. K. Chanda, the then Comptroller & Auditor General of India, undertook the task of preparing a comprehensive plan for delegation of financial powers and for a reorganization of the system of financial control and included his plan as an appendix to the Audit Report of 1955. He recommended that to avoid delays in the issue of

delegation was worked out in 1961 which, on an experimental basis, devolved enhanced financial responsibilities on the Ministries of Commerce and Industry, Community Development, Panchayati Raj and Cooperation, Information and Broadcasting, and the Department of Food. This scheme envisaged exercise of control by the Ministry of Finance mainly through pre-budget scrutiny and through random checks and work studies. The scheme was extended to other ministries and departments of the Government of India from June 1, 1962.

Soon after the introduction the scope of this scheme had to be restricted under the impact of the Chinese aggression. The Government order of 30th September, 1964, required all proposals for new construction or for release of funds to be sanctioned in consultation with the Ministry of Finance. Another Government order, of 19th August, 1965, placed a ban on the creation of fresh posts not required for Plan schemes or security purposes. The position was, however, reviewed towards the end of 1965. Consequently, the bans imposed earlier were lifted on March 15, 1966 and the Scheme of Delegation brought into operation as it obtained in June 1962.

Of late, the Administrative Reforms Commission² has been seized of the question of delegation of financial powers. Its Study Teams on Financial Administration and on Machinery of the Government of India and its Procedures of Work³ have devoted considerable attention to this problem. The Administrative Reforms Commission has submitted to the Government of India a special report entitled "Delegation of Financial and Administrative Powers"⁴ incorporating its views on the subject.

The Delegation Scheme of June 1962 was reviewed in 1967 by the administrative ministries at the request of the Finance Secretary, and

expenditure sanctions, the particulars of the proposal referred by the administrative ministry to the Ministry of Finance at the pre-budget review stage should be furnished in greater detail to enable the Finance Ministry to carry out a better and more systematic pre-budget scrutiny and that the administrative ministries might be empowered to issue expenditure sanctions of schemes included in the budget and the cost of which did not exceed Rs. 50 lakhs.

² Administrative Reforms Commission, *Report of the Study Team on Financial Administration*, New Delhi, May 1967 pp. 49-67.

³ Administrative Reforms Commission, *Report of the Study Team on Machinery of the Government of India and its Procedures of Work*, Part II (Vol. I), February 1968, Ch. VII.

⁴ Administrative Reforms Commission, *Report on Delegation of Financial and Administrative Powers*, New Delhi, June 1969. This report contains the views and recommendations of the Administrative Reforms Commission on the suggestions made in their reports by the Study Team on Machinery of the Government of India and its Procedures of Work (February 1968) and by the Working Group constituted by the Commission to report on Financial Rules (December 1968).

in the light of this review a modified scheme was evolved by the Ministry of Finance, delegating larger financial powers to the administrative ministries. The new scheme, which was introduced from October 1968, is also based on the arrangements that the Ministry of Finance will exercise its control mainly by a proper scrutiny of the schemes, proposals, etc., before inclusion in the budget and through an adequate system of reporting and test checks.

EXPENDITURE SANCTIONS

The statutory provisions under the Constitution assign to the Ministry of Finance a special position in regard to the management of financial affairs of Government. Such a pre-eminence of Finance is meant to ensure orderly allocations of limited resources between the competing demands. Traditionally, the Ministry of Finance exercised its control over public expenditure by scrutinising the various proposals of the spending departments before inclusion in the budget estimates and by according expenditure sanctions before the expenditure could be actually incurred.

The main objective of the various delegation schemes has been to improve the procedures for pre-budget scrutiny and delegate powers of post-budget expenditure sanctions to the administrative departments within broad limits. Under the Delegation Scheme of August 1958, the administrative ministries were authorized, subject to certain conditions, to issue expenditure sanctions on any scheme the total expenditure of which did not exceed Rs. 50 lakhs. These powers were enhanced under the Delegation Scheme of June 1962, which provided that any amounts, without specified limits, could be sanctioned by the administrative ministries if the projects for which such amounts were sanctioned, had been earlier scrutinized and accepted by the Ministry of Finance. The present position in this regard, therefore, is that administrative ministries have full powers to sanction expenditure on schemes or projects, provided funds are available and the scheme or the project, as a whole, has been scrutinized and accepted by the Ministry of Finance.

On the face of it, these powers of expenditure sanction vested in the administrative ministries are large enough to provide them with the necessary operational facility. But the actual position seems to be somewhat different. It has been observed that in a good many cases it is not found feasible to complete the examination and scrutiny of schemes at the pre-budget stage. The Ministry of Finance maintains that the administrative ministries do not send their schemes in time

with all the necessary details. Lump sum provisions in the budget have, therefore, been found necessary. Consequently, the powers of expenditure sanction delegated to the spending Departments cannot be exercised. On the other hand, the administrative ministries complain that the Ministry of Finance keeps asking too many and sometimes unnecessary details rather than examining the proposals in the broader perspective.

Pre-budget scrutiny of expenditure proposals by the Ministry of Finance is a well-accepted principle and is necessary to be treated with all seriousness to serve best the interest of effective financial control. Such a scrutiny is also an important pre-requisite for a meaningful operation of any scheme of delegation of financial powers. It should, therefore, be the prime concern of both the administrative ministries and the Ministry of Finance to make efforts to see that such a scrutiny is completed before the expenditure proposals are incorporated in the budget. Whereas the administrative ministries would need gearing up of their organizations to be able to submit their expenditure proposals in time and complete in all significant aspects to enable the Ministry of Finance to carry out the necessary pre-budget scrutiny, the Ministry of Finance would also need to restrict such a scrutiny to the important details of the proposals asking for such relevant information in regard thereto as the administrative ministries could be reasonably expected to procure and supply within the stipulated period.

It is well-recognized that the administrative authority responsible for executing a major scheme has to take a number of steps before such a scheme is worked out to the last detail. Under conditions of uncertainty such estimates are subject to some variations. In fact, providing for such contingencies is an important aspect of delegation plans. This being so, excessive concern for details by the Ministry of Finance would disqualify even the most carefully worked out schemes at the stage of pre-budget scrutiny thereby negating the very spirit of delegations. The latest Delegation Scheme of October 1968 states that "the preparation of budget proposals in sufficient detail and their proper pre-budget scrutiny by the Finance Ministry is an essential feature of the scheme". It is, however, left vague as to what precisely is meant by "sufficient details" supporting an expenditure proposal for a "proper pre-budget scrutiny" by the Ministry of Finance. The realization of the intentions and purposes of the Delegation Scheme would, therefore, very much depend on the attitudes of the two sides and the good faith in which the Delegation Scheme is operated.

If the administrative ministries work out the schemes and projects

in all significant details having important financial bearing and the Ministry of Finance carries out pre-budget scrutiny in a constructive, purposeful and imaginative manner, asking for only essential details in broad terms, there is no reason why the Delegation Scheme, insofar as the powers of expenditure sanction are concerned, should not work well. It would help matters if a sort of check list is drawn up by the Ministry of Finance in consultation with the administrative ministries of the broad details which it would consider essential for its examination of the proposals before they are incorporated in the budget. These broad details may relate only to the essential features of the scheme giving reasonably accurate estimates of cost to enable the Finance Ministry to determine its feasibility and suitability for sanction. The remaining details may be left to be worked out by the administrative ministries from time to time with the help of their internal finance.

Under the Delegation Scheme of October 1968, the powers of expenditure sanction will not be available to the administrative ministries in cases of Plan or non-Plan schemes for which lump sum provisions are made in the budget until full details and justification of the schemes have been furnished to the Ministry of Finance and accepted by them. The A.R.C. Study Team on Financial Administration has made the following observations on this problem:

“It is a well accepted principle of budgeting that no provision should be made for a scheme unless adequate details, together with a breakdown of cost, have been furnished to the Treasury and accepted by it. In other words, lump sum provisions, *i.e.*, provisions of which the details have not been worked out and, therefore, are not available, should not ordinarily be included in the budget”.⁵

Though the principle of not resorting to lump sum provisions in the budget estimates is unexceptionable, such a recourse may be unavoidable in certain unanticipated situations. There may arise an emergency situation necessitating urgent measures and a lump sum provision of funds therefor. It may also become necessary to provide for preliminary expenses on survey, etc., in connection with a projected scheme; an itemwise and detailed breakdown of expenses may be difficult to work out in such cases. There is also another type of situation. Due to certain policies of the government or due to some sudden decisions at the higher levels about absorbing foreign aid or providing funds for some Plan schemes, a lump sum provision is

⁵ Administrative Reforms Commission, *Report of the Study Team on Financial Administration*, New Delhi, May 1967, para 9.1, p. 38.

"imposed on" the administrative ministry and it is asked to go through the various formalities with the Ministry of Finance for getting the same included in the budget estimates.⁶ Obviously, the administrative ministry would have little knowledge about the schemes to be covered by such a lump sum provision, much less their details. Of course, these are exceptional situations which could, when they arise, stand in the way of the exercise of delegated powers by the spending departments.

If, on the other hand, a lump sum provision results from the inability of the administrative ministries to adhere to the time schedule for budget making inasmuch as they are not ready with the necessary details of the scheme, such lapses in detailed planning on the part of the departments would render Schemes of Delegations meaningless and inoperative. All possible measures need to be taken to curb such a tendency of the administrative ministries. They should be pressed to work out their budget proposals, supported by all the necessary details, by the scheduled dates stipulated in the budget calendar so as to obtain the clearance of the Ministry of Finance well before the final date fixed for the purpose. In those cases, however, where funds are required to meet preliminary expenses on survey, etc., of a scheme and it is not possible to work out all the details, a small amount may be provided in the budget for the purpose. It needs hardly any emphasis that the Scheme of Delegation would work the best if lump sum provisions are avoided in the budget; and in most cases this would require advance planning of their operations on the part of the administrative ministries as part of their exercise of the formulation of budget proposals.

POWERS OF RE-APPROPRIATION

Under the Delegation Scheme of August 1958, the administrative ministries were delegated powers to re-appropriate funds in all matters except in the following cases which required concurrence of the Ministry of Finance: (a) reappropriation to augment the provision under the primary units relating to 'Pay of Officers' and 'Pay of Establishment' either for a scheme or for other types of expenditure; (b) reappropriation between the primary units under which provision is made for a scheme, involving an increase in the provision under any one such unit by more than 5 per cent or by more than Rs. 1 lakh, whichever is less; or (c) reappropriation from the provision made for a scheme to meet expenditure on any other purpose. The Delegation Scheme of June 1962 empowered the administrative ministries to reappropriate funds

⁶ Some such cases came to light during the course of another study by the authors

between primary units under which provision was made for groups of allied schemes, subject to the grouping of such allied schemes being specified with the previous consent of the Ministry of Finance. Grouping of provisions for Plan items with other items was not permissible, and reappropriation of funds from Plan items in order to meet non-Plan expenditure required the concurrence of the Finance Ministry.

Under the latest Delegation Scheme of October 1968, the administrative ministries have been given full powers of reappropriation within a grant, provided there is no diversion of funds intended for Plan schemes to non-Plan activities and there is no augmentation of the total provision made for administrative expenses (*i.e.*, pay, allowances, and other charges) under a particular grant.

The adequacy or otherwise of the existing powers of reappropriation delegated to the administrative ministries can be gauged better if we consider the whole problem in the light of the actual operation of these powers as between the administrative ministries and the Ministry of Finance.

A study of this aspect made by us for the Administrative Reforms Commission in March 1967, revealed that the administrative ministries, in actual practice, enjoyed enough freedom in the matter of reappropriation of funds, even in those cases where reappropriation of funds could, under the rules, be done only with the prior sanction of the Ministry of Finance. The only thing the administrative ministries need ensure is that savings are available under certain sub-heads of the Grant.⁷ In the cases where the administrative ministries are in a position to locate savings under certain sub-heads of a grant, there seems to be an implicit feeling in them that the Ministry of Finance would put its seal of approval on a reappropriation proposal to divert funds from such a saving to meet an excess expenditure under some other sub-head of the same grant, and the whole process is looked upon by them as one of procedural interest only. The necessary concurrence of the Ministry of Finance is never doubted in such cases. It may also

⁷ It may be stated here that the reasons for excess in expenditure, generally, are: (*i*) enhancement in the rates of emoluments of the employees during the course of the financial year, which could not be foreseen at the time of framing the budget estimates; (*ii*) abnormal rise in market prices; (*iii*) meeting expenditure on items not anticipated, including expenditure for equipment and machinery ordered in the previous year; (*iv*) extension of schemes and activities and consequent incurring of expenditure not provided for in the initial budget estimates, etc. Savings become possible for various reasons, namely, (*a*) non-filling or late filling of vacant posts and non-creation of additional new posts; (*b*) non-execution of stipulated task; (*c*) less receipt of equipment; (*d*) postponement of construction of works; (*e*) postponement of purchases of stores; (*f*) late or non-arrival of experts from abroad; (*g*) termination of schemes earlier than provided for in the budget, etc.

be stated that the timing of transmission of most of the reappropriation proposals by the administrative ministries to the Ministry of Finance for approval is such as would not allow a reasonable opportunity to the Ministry of Finance to examine such proposals with any degree of thoroughness. The majority of such cases are submitted to the Ministry of Finance in the later half of March when in most cases the excess expenditure has already been incurred or committed by the operating agency, and the Ministry of Finance has to deal with a case which is a '*fait accompli*', leaving it with no choice except to acquiesce in what has already been done.

Also, the Ministry of Finance is required to dispose of all the reappropriation cases before 31st March of that particular financial year as no reappropriation order issued after that date is accepted as valid by audit authorities. Therefore, during the few days which the Ministry of Finance gets to dispose of a good lot of reappropriation cases, its examination of such proposals cannot but be carried out in a hurried and casual manner and finalized at lower official levels. We may state here that out of all the 142 reappropriation orders pertaining to the various grants of an administrative department, sanctioned during 1965-66 and examined by us, 82 were issued on or after 15th March, 1966. Similarly, in the case of another administrative department all the three reappropriation orders pertaining to a grant were issued after the 15th March, 1966. The same was true of another department where all the 8 reappropriation orders pertaining to a grant were issued after 15th March, 1966. The study also revealed that the Ministry of Finance hardly had sufficient time to examine with any degree of thoroughness reappropriation cases submitted by the administrative ministries; and since the deadline of 31st March is to be adhered to, the ministry of Finance puts its seal of approval hurriedly on such cases. It would, therefore, seem that the control exercised by the Ministry of Finance in the cases of reappropriation of funds is more nominal than real.

The report of the above study, which was completed by us in March 1967, proposed that the administrative ministries should be vested with full powers to reappropriate funds within a grant, subject to certain conditions. It is gratifying that the Ministry of Finance have, vide their Orders of October 1968, delegated to the administrative ministries full powers of reappropriation within a grant. But, as mentioned earlier, these powers are subject to the condition that there is no diversion of funds intended for Plan schemes to non-Plan activities and there is no augmentation of the total provision made for administrative expenses (*i.e.*, pay, allowances, and other charges) under a particular grant.

In view of the actual operation of reappropriation powers, as outlined earlier, it is not understood how it would serve the interests of financial control if the administrative ministries are prohibited from reappropriating funds from Plan schemes to non-plan activities even if such a reappropriation is from one development scheme to another developmental purpose. It is rather a superfluous exercise of getting a proposal for reappropriation of funds from Plan to non-plan schemes approved by the Ministry of Finance, as for all practical purposes, the Ministry of Finance endorses the decisions already made by the administrative Ministries. Moreover, it is difficult to appreciate as to why a distinction should be made between Plan and non-Plan items in the matter of reappropriation of funds and not between development and non-development items of expenditure. Once some funds have been invested in a particular year in building an asset under the Plan, the expenditure on the operation and maintenance of this asset in the ensuing years is not treated as Plan expenditure though its relevance for development cannot be questioned. It is, therefore, suggested that the administrative ministries may be delegated powers to reappropriate funds from Plan schemes to non-Plan activities so long as the latter are developmental in character.

A better procedure for financial control would be that when an administrative ministry resorts to reappropriation from one item of expenditure to another and the amount involved exceeds a specified limit, it must seek the prior concurrence of the Ministry of Finance. If the specified limit is fixed at a reasonably high level, the number of reappropriation cases coming to the Ministry of Finance would be reduced, enabling it to examine such cases with a fair degree of thoroughness. It should, however, be ensured that such proposals reach the Ministry of Finance well before the close of the financial year so as to allow it sufficient time to carry out a proper examination of the reappropriation proposals.

For cases where full powers of reappropriation vest in the administrative ministries, it may be considered that the decision-taking should be at senior levels, say, Deputy Secretary and above depending upon the amount involved in the reappropriation proposal. Such a system would ensure a more responsible exercise of reappropriation powers by the administrative ministries than what obtains at present when these decisions are taken at junior official levels. It may also be considered that the Demands for Grants are recast to comprise of allied and related items of expenditure only so that the intentions of Parliament in voting a Demand are not defeated afterwards by reappropriation of funds between entirely unrelated items of expenditure.

Again, as we have seen earlier, the Delegation Scheme of October 1968 makes the exercise of powers of reappropriation by the administrative ministries subject to the condition that there is no augmentation of the total provision made for administrative expenses (*i.e.*, pay, allowances, and other charges) under a particular grant. We do not find much of a logic in putting such a restriction on the exercise of powers of reappropriation. We are of the view that the delegation of various other financial powers to the administrative ministries would be rendered considerably ineffective if the administrative ministries are denied powers to create posts even though such a course results in augmenting the total provision made for administrative expenses.

Incidentally, we may refer here to the suggestion made by the Study Team on Financial Administration⁸ that there should be a greater overall control on the power of the administrative ministries to create posts. It has recommended that the proposals of the administrative ministries for additional staff or creation of posts should be considered by an independent and a well-trained Staff Inspection Unit and the administrative ministries should be precluded from augmenting the provisions under the 'Pay of Officers' and 'Pay of Establishment' by recourse to reappropriation. It has further stated that in the event of a sudden increase in work or work of an emergent nature devolving on a ministry they should continue to have powers to create posts of purely temporary nature for periods not exceeding three months if funds could be found by valid reappropriation within their budget provision. The Administrative Reforms Commission has expressed its agreement with the above suggestion of the Study Team on Financial Administration.⁹

We, however, find it difficult to agree with the views on the subject of either the Study Team on Financial Administration or the Administrative Reforms Commission. How do we provide an administrative ministry with the necessary operational freedom in the discharge of its functions by vesting it with powers to reappropriate funds within a grant from one primary unit under which a saving has occurred to finance another project requiring additional expenditure if the need for this excess expenditure turns out to be no more than appointing a few additional personnel for successfully executing the project? We would, therefore, urge that the restriction contained in the Delegation Scheme of October 1968 that there should be no augmentation, as a consequence

⁸ Administrative Reforms Commission, *Report of the Study Team on Financial Administration*, New Delhi, May 1967, pp. 53-55.

⁹ Cf. Administrative Reforms Commission, *Report on Finance Accounts and Audit*, New Delhi, January 1968, pp. 30-31.

of reappropriation of funds, of the total provision made for administrative expenses under a particular grant, is out of tune with the rest of the provisions of the scheme and is also not in consonance with the spirit in which other financial powers delegated are supposed to be exercised.¹⁰ When financial powers are delegated to the administrative authorities to facilitate their functioning and to make for efficiency and speed in the implementation of the programmes, it is also necessary that these authorities are vested with adequate powers of creating posts needed in the execution of their tasks. Therefore, to enable the administrative ministries to make a meaningful use of the financial powers delegated to them they should be vested with full powers to create temporary posts, for even longer durations, by reappropriation of funds within a grant. Such powers should, however, be for the creation of temporary posts only, and in the event of these posts being made permanent the prior sanction of the Ministry of Finance should be essential. It is but reasonable that when an administrative authority proposes to bind the public exchequer with a long-term commitment by creating a permanent post, the Ministry of Finance should have final say in the matter and its prior approval should be necessary. Even where the powers are delegated for the creation of temporary posts only, it is imperative to ensure that such powers are exercised by the administrative authorities diligently and with due care of the established norms and standards. It may be added here that this is an area where much restraint and discipline has to be exercised in the use of financial powers so as to avoid adverse criticism from various quarters in the event of any increase in expenditure on staff. It needs hardly any emphasis that work standards should exist in the various organizations and that new posts should be created after a thorough study of the work load data.

Though the vesting of powers in the administrative ministries

¹⁰ We may quote here the views of another Study Team of the A. R. C. "At present, administrative ministries can create posts upto those of Joint Secretary's rank under their own powers subject to certain specified restrictions. We do not go along with the view of a sister study team that these powers should be curtailed on the ground that "there is considerable over-staffing in Government Departments" and that intra-ministry work study units have not built up the expertise required. We consider that delegations in regard to creation of posts cannot be looked at separately from the totality of financial delegations. The fundamental objective of delegating financial powers to administrative ministries is to make them as fully responsible and effective operationally as possible. It would be a contradictory and retrograde measure to make extensive delegations in their favour in other fields and to pull back in this matter of posts. If there is a fear that these powers may be misutilised, the answer should lie in the direction of building up arrangements for good financial management within ministries and a system of test checks from the Ministry of Finance rather than in the direction of recentralisation." Administrative Reforms Commission, *Report of the Study Team on "Machinery of the Government of India and its Procedures of Work"*, Part II (Vol. I), New Delhi, February 1968, pp. 47-148.

for the creation of temporary posts when needed is not disputed, it is suggested that the exercise of such powers should be subject to a thorough examination later by an independent Staff Inspection Unit staffed by trained personnel well-versed in the techniques of work study, work measurement, etc. Such a course would ensure that the administrative authorities exercise their powers of creation of posts according to the accepted principles and with due regard to the canons of efficiency and economy.

ADEQUACY OF EXISTING DELEGATIONS

It would seem that the Ministry of Finance has been receptive to the demands for greater delegations to the administrative ministries and has been issuing orders from time to time to give effect to its various schemes for delegation of enhanced financial powers. It is, however, difficult to give a straight answer as to whether the powers delegated so far are adequate enough to meet the present needs of the administrative ministries. The nature and extent of the financial powers delegated by the ministry of Finance to the administrative ministries would not alone provide an answer to this. The pattern of redelegations from the administrative ministries to the Heads of Departments and from them to the lower echelons and field agencies is also an important factor to be considered in judging the adequacy of existing delegations. Also, the needs for delegations would vary in the case of different organizations depending on their respective programme requirements and on whether they are to exercise such powers in normal times or in times of crisis and strain.

The Delegation Scheme of June 1962 exhorted the administrative Ministries to re-delegate, in their turn, administrative and financial powers to Heads of Departments and to other subordinate authorities, with due regard to their respective levels of responsibilities. It is well recognized that for a system of delegations to be effective, the powers delegated should seep down the line and be commensurate with the responsibilities to be discharged at the various official levels. The delegated powers should vary according to the nature and quantum of work to be performed by the delegatees. Though there are a few organizations, such as the Central Public Works Department, Scientific Laboratories, etc., in which cases special financial delegations have been made, by and large, in our delegation pattern, a sort of uniformity exists inasmuch as the same type of powers are delegated to all the administrative ministries, to all the Heads of Department and to the Heads of Office.

It is not understood how the needs for financial powers of all the

administrative ministries and Departments would be the same? How would similar powers delegated to all types of Heads of Departments would meet their respective needs. Also, the different types of Heads of Office would require different delegations for successfully discharging their functions. The Ministry of Finance should, therefore, evolve more than one delegation pattern to meet the requirements of the various categories of administrative ministries and Departments, of various types of Heads of Departments and Heads of Office, in accordance with their functional variegation. Not only that, the Finance Ministry should undertake a periodical review of such delegation patterns and effect modifications to suit the changed circumstances.¹¹

The Heads of Department are, at present, not authorized to redelegate any of their powers to their subordinates. They can, however, do so with the prior consent of the administrative ministry. It has been observed that the administrative ministries are generally willing to accord approval to proposals for redelegation submitted by the Heads of Department. But the procedure of going through the formality of obtaining the concurrence of the administrative ministry is cumbersome and time consuming. It is, therefore, suggested that the powers delegated to the Heads of Department may be classified into two categories, firstly, those of a minor nature for which full powers may be vested in the Head of Department for redelegation to his subordinates according to his discretion; and secondly, powers of an important nature which can be redelegated by the Head of Department only after seeking the prior consent of the administrative ministry. Such a course would provide greater operational freedom to the Head of Department in making adjustments and readjustments in the redelegation of powers to his subordinates according to the needs of different programmes and changing circumstances.

Matching of adequate powers with the responsibilities at different official levels is not enough. It is of utmost importance that the delegatees exercise the powers so delegated in the discharge of their responsibilities and for the realization of the goals and objectives of their organizations. No scheme of Delegation, howsoever well framed, would work satisfactorily unless there is a 'will' on the part of delegatees to exercise the powers and on the part of the delegator to encourage the use of the delegated powers in the spirit in which they are intended. Again, the willingness of the delegatee to use his powers would very much depend on the prevailing environment and climate in which he has to function.

¹¹ The A. R. C. Study Team on Machinery of the Government of India and its Procedures of Work has echoed a similar line of argument in their Chapter "Delegations", (Chapter VII, Part II, Vol. I).

There are a number of inhibiting factors to the exercise of delegated powers, which we have observed during the course of our other studies. Sometimes the powers delegated are hedged by various conditions which the delegatee has to satisfy before exercising such powers. For instance, the Heads of Departments are empowered, under the rules, to write off a loss up to Rs. 1,000 provided: (i) it is not due to any serious negligence on the part of any government servant, (ii) it does not disclose a defect in rules or procedures the amendment of which requires the orders of higher authority or Finance Ministry, etc. In such cases where the powers delegated can be exercised only after satisfying a number of conditions, the tendency on the part of the delegates is to push cases to the higher authorities for obtaining their concurrence. The delegates do not feel sure of having satisfied the various conditions attached.

Fear of audit objections drives them to play it safe. Such fears manifest themselves in the form of frequent references to higher authorities in doubtful cases which often undermines the very spirit and purpose of delegations. The psychology of 'fear of audit' and 'public criticism' is responsible for sapping the initiative of the officers. Decisions of the administrators are often probed long after the event and when the context in which such decisions were taken has completely changed. Often they get demoralized when their individual acts of discretion are questioned. Sometimes audit objections are raised on petty and small matters and the concerned officer has to explain the lapse years after event when he might have been transferred to another organization and become completely out of touch with his previous work. To avoid landing into such like situations, the officers shy away from the exercise of discretion and prefer not to use the powers delegated to them. They try to involve as many authorities and agencies as possible in the decision-making process. Thus, the fear of being judged unfairly later for any lapse, major or minor, or for any error of judgement, acts as a big restraining influence on the officers in the matter of using their powers and taking decisions.

There may also be interference or pressure from above which make it difficult for a delegatee to exercise his powers. Verbal instructions from the higher bosses and directives given in high-level meetings may hold back the officers from exercising their delegated powers. At times, enhanced powers are delegated to the officers without their being properly equipped for the exercise of such powers. It is, therefore, obvious that adequate preparations ought to be made before launching a delegation plan and the delegates should be provided with all the encouragement and support necessary for the exercise of such powers.

Another important factor responsible for discouraging the officers from using their powers is the multiplicity of rules and regulations which are changed so often that the officers generally do not feel confident of knowing all the relevant rules while exercising their powers. In their eagerness to avoid mistakes they are prompted to consult higher authorities and seek their concurrence.

It is suggested that if the scheme of delegations is to be meaningfully operated, the exercise of powers by the delegates should be insisted upon. The Ministry of Finance should send back a case without expressing its views if the matter fell within the delegated powers of an administrative ministry. The same way the administrative ministries and Heads of Departments should insist upon the decisions being taken at levels vested with adequate powers. When references are made to them despite specific delegations, senior officers should return such cases to the subordinate officials without expressing their views thereby compelling the subordinates to take decisions falling within their ambit of authority and responsibility. Efforts towards 'neck preservation' at lower levels should be discouraged in practice. However, in the event of a genuine mistake committed in good faith, the subordinate official should be given proper and adequate protection. The exercise of powers by the delegatee, who has used his best judgement with due care, should be shown all sympathy and consideration by the higher authorities. There is an urgent need to remove from the minds of the officers the fear that they are likely to be judged unfairly if individual acts of judgement and discretion come to be questioned later. "A system of delegation will work effectively only if it is based on a trust of those working 'on-the-spot'. Trust begets trust. A system which is based on a nagging distrust of those exercising powers will be destructive of initiative, the exercise of which is essential on a large scale in this era of development."¹²

It may facilitate exercise of delegated powers if up-to-date manuals are prepared containing the various financial rules and regulations which an officer would need to know in his day-to-day functioning. Functions should be clearly demarcated for each officer and he be supplied with an up-to-date booklet of powers enjoyed by him as well as by other officers he has to deal with.

PERFORMANCE BUDGETING

The Government of India have accepted the recommendations of

¹² Administrative Reforms Commission, Report on "Delegation of Financial and Administrative Powers", New Delhi, June 1969, p. (i) para 4.

the Administrative Reforms Commission in regard to the introduction of Performance Budgeting in the Departments and organizations which are in charge of developmental programmes. The Government have followed it up with the preparation of alternate presentations of the budgets of some selected Ministries and Departments on a performance basis.¹⁸ This, however, is an initial step towards the installation of performance budgeting as a tool of management of developmental programmes. Such a budget would specify physical targets, to be accomplished according to a time-schedule. Besides, it would indicate the volume of work to be taken up by the functionaries at various levels, who are responsible and accountable for their performance in achieving the targets.

In this scheme of budgeting, patterns of delegation would assume added significance as means of accomplishing the physical goals of the organizations. In this context, apart from a proper matching of authority and responsibility at various operational levels of performance, adequate attention should also be paid to create the right type of climate and other environments necessary to motivate the delegatees to exercise their powers for the effective performance of the tasks assigned to them.

Performance Budgeting also envisages suitable review of performance at various levels of operation. Such a review and control is largely based on meaningful reporting systems geared to managerial decisions. In this context, it may be worthwhile examining the role of the audit as an agency for evaluating the performance of various agencies. The Administrative Reforms Commission in their Report on "Finance, Accounts and Audit" have emphasized that the Comptroller and Auditor General should undertake propriety-cum-efficiency audit to cover all developmental activities of Government. As has been observed earlier, if the decisions of the administrators taken in their best judgement are probed much after the event and out of context of the circumstances then existing, it is bound to lead to irritations and heart

¹⁸ Performance Budgets were prepared for the year 1968-69 in respect of four Ministries and some organizations under them. For the year 1969-70, the Government prepared performance budgets for the following Ministries/Departments :

- (1) Ministry of Irrigation and Power;
- (2) Department of Food;
- (3) Department of Communications; (a) Posts & Telegraphs Department, (b) Overseas Communications Service, (c) The Monitoring Organization, (d) Wireless Planning & Coordination Wing;
- (4) Ministry of Health, Family Planning, Works, Housing & Urban Development: (a) Department of Health, (b) Department of Family Planning, (c) Central Public Works Department, (d) Chief Controller of Printing & Stationery;
- (5) Ministry of Shipping & Transport; and
- (6) Ministry of Tourism & Civil Aviation: (a) Department of Civil Aviation, and (b) India Meteorological Department.

burning among the officers and would leave a demoralising effect on them. Efficiency audit by an outside authority would give a handle to the audit agency to question individual acts of discretion and the soundness of an officer's judgement. Such a development is bound to vitiate the climate for the exercise of delegated powers by the functionaries. The officers under such a situation would prefer to play safe and avoid taking decisions and responsibility. In our view, efficiency audit by an external agency would be a serious inhibiting factor to the exercise of powers by the delegates resulting in delays, inefficiency and uneconomic execution of the projects.

We could also look at the problem from another angle. The present audit authority as it is constituted, conducts audit, by and large, with the assistance of auditors who belong to lower clerical cadres. It is true that other subordinate officers namely, Accountants (non-gazetted) and Assistant Accounts Officers (Class II Gazetted), supervise the work of the audit teams which are further placed under the charge of a Deputy Accountant General. But the fact remains that the bulk of such work is done by the functionaries at the lowest rung, namely, Auditors. The question, therefore arises as to whether such a body of officials would be competent to conduct efficiency audit of other organizations ? Will it not seriously vitiate the climate for the exercise of delegated powers by the officers when they know that their judgements and actions would be commented upon later by these junior officers from the Comptroller and Auditor General's organization ? A comment on the efficiency of another officer would evoke respect only when the Auditor is of an equivalent or higher rank than the officer whose work he comments upon. Also, such an auditor should have built up a reputation about his knowledge of the specialized area in which he conducts efficiency audit.

In view of the present shortage of trained manpower of the specific type, a further question arises as to whether it would be possible for the Comptroller and Auditor General to raise a large contingent of senior officers, divided into teams of specialists, for conducting efficiency audit in the various specialized fields to cover all developmental activities of the Government? If attempted, will the cost of such a measure be not prohibitive? We are, therefore, of the view that the work of efficiency audit should not be assigned to an outside authority like the Comptroller and Auditor General's organization.

This is, however, not denying the importance of the regularity-cum-propriety audit which this organization is already conducting and which should continue to remain its responsibility. But, the task

of efficiency audit should be an internal function carried out by an agency under the charge of the chief executive of the organization who is ultimately responsible and accountable for the achievement of results in terms of the objectives and targets laid out for his organization. The chief executive would be in a better position to gear such an agency to the needs of his organization, keeping in view the various considerations and maintaining the necessary climate for the proper exercise of delegated powers and shouldering of responsibility. Higher authorities like the administrative ministry and the Cabinet would also be there to sit in judgement on the overall efficiency of an organization.

DELEGATIONS AND FINANCIAL ADVISER

With the enhancement of powers of the administrative ministries over larger areas of responsibilities, the availability of expert advice to them on diverse and sometimes complex financial matters is of utmost importance. The need for developing cost consciousness within the spending Departments and agencies has been emphasized in all the delegation schemes. The institution of Financial Advisers in various forms have been suggested from time to time for this purpose. Accordingly, the Delegation Scheme of October 1968 emphasises that competent financial advice should be available internally to the administrative ministries. It gives the administrative ministries full powers to appoint Internal Financial Advisers of their choice and provides that the Internal Financial Adviser should be consulted in all cases before the exercise of delegated powers although it is open to the administrative Secretary to overrule his advice by an order in writing. According to the scheme, the administrative ministries should indicate in the sanctions issued by them in the exercise of their delegated powers that they have been issued after consultation with the internal Financial Adviser. The Scheme of October 1968 also permits the grouping of Ministries/Departments to be served, in certain circumstances, by a common Internal Financial Adviser.

In view of the complex and extended responsibilities which have devolved on the administrative Ministries and its officers in the wake of plans of economic development, the expertise of a financial adviser in matters pertaining to Finance should prove of great help in solving many a problem arising in the day-to-day working of the Ministry. It is, however, not understood as to why the Scheme of Delegations (October 1968) should treat an Internal Financial Adviser as differently from any other Joint Secretary in the administrative Ministry. The role of the Financial Adviser is to advise and assist the administrative Secretary in financial matters as is done by the other Joint Secretaries

in other matters. It should be left to the administrative Secretary, who is ultimately to assume full responsibility for a decision taken, to utilise the services of and take work from the Financial Adviser in whatever way he considers best. How much use is made of the presence of a Financial Adviser in the Ministry should be left to be decided ultimately by the personal equation which comes to be established between the administrative Secretary and the Financial Adviser and the amount of confidence which the former develops in the latter. The administrative Secretary need not be under any compulsion to consult the Financial Adviser in all cases of the exercise of delegated powers. If he has strong reasons to do otherwise, he may have freedom to by-pass the Financial Adviser and take the decision all by himself. It is enough that he assumes full responsibility for his actions and is accountable for the results. We may add here that the nature of expertise of the Financial Adviser being such, the administrative Secretary would be very much inclined to consult him in all matters having financial bearing. However, we are not in favour of providing any restrictions in the Delegation Scheme whereby an administrative Secretary is bound to consult the Financial Adviser while exercising the delegated powers and he has to record in writing his reasons for over-ruling the Financial Adviser in any particular case.

We are of the opinion that too rigid walls should not be erected around the Financial Adviser and the function of financial advice. The endeavour should be to train each of the officers as his own financial adviser so as to become adequately equipped to dispose of a good many cases of financial implications where he feels confident about his knowledge of rules and is prepared to take full responsibility. It is only to deal with difficult and complicated financial matters that a cadre of Finance Officers headed by the Financial Adviser carved out of the existing administrative hierarchy should exist to render expert advice when called upon. Such a cadre should remain an integral part of the administrative hierarchy in the organization and be completely under the head of the administrative Department. Some common functions like managing the budget and accounts work of the organization may also be put under the charge of these officers. However, the main responsibility for effective financial control should be that of the executive officers functioning at various levels. Such a course would considerably reduce the work load of the staff of the organization of the Financial Adviser and leave them with enough time to attend to those important and complex financial matters which the executive officers cannot dispose of by themselves. The administrative Secretary should have the discretion to assign this work of financial advice to any of his senior subordinates (a Joint Secretary) in whose competence

he has confidence. This senior officer rendering financial advice would form an integral part of the administrative ministry, functioning completely under the administrative Secretary and assisting him in the same way as any other Joint Secretary in the same Ministry.

If the position of a Financial Adviser is made similar to that of any other Joint Secretary in the administrative Ministry, it may not be possible to appoint one Financial Adviser to work for a group of Ministries/Departments as is envisaged in the Delegation Scheme of October 1968. However, if the work-load in an administrative Ministry pertaining to financial advice does not justify having a whole-time functionary for the job, the administrative Secretary should have powers to assign to the Financial Adviser any additional duties relating to other work of the Ministry. There need not be any fears entertained about this suggested arrangement so far as the role of the Financial Adviser is concerned and as regards the quality of financial advice to be tendered by him. The administrative Secretary, the Financial Adviser, the Joint Secretaries and other officers in the hierarchy are all limbs of the same government machinery and are supposed to consider matters in a purely objective and unbiased manner with due regard to the policies and decisions of government and to give honest and impartial advice to the authorities above them. There is no reason why a particular limb, namely, the Financial adviser should not function objectively and discharge his duties effectively as is expected of any other officer in the organization. The fact of the Financial Adviser being placed completely under the control of the administrative Secretary should not deter him from giving his independent and honest advice on financial matters as it is not supposed to happen in the case of any other conscientious Joint Secretary working under the same administrative Secretary. Also, it should not give rise to any misconceptions about the position and role of the administrative Secretary as he must remain fully responsible for the efficient and economical administration of the programmes entrusted to him and be accountable for the results.

